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AUGMENTED LAGRANGIAN METHODS FOR THE SOLUTION OF GENERALIZED NASH EQUILIBRIUM PROBLEMS *

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Abstract. We propose an augmented Lagrangian-type algorithm for the solution of generalized Nash equilibrium problems (GNEPs). Specifically, we discuss the convergence properties with regard to both feasibility and optimality of limit points. This is done by introducing a secondary GNEP as a new optimality concept. In this context, special consideration is given to the role of suitable constraint qualifications that take into account the particular structure of GNEPs. Furthermore, we consider the behaviour of the method for jointly-convex GNEPs and describe a modification which is tailored towards the computation of variational equilibria. Numerical results are included to illustrate the practical performance of the overall method.

Key words. Nash equilibrium problem, Generalized Nash equilibrium problem, Jointly-convex problem, Augmented Lagrangian method, Global convergence.

AMS subject classifications. 65K10, 90C33, 91A10.

1. Introduction. We consider the generalized Nash equilibrium problem which consists of N players, where each player $\nu = 1, \ldots, N$ tries to solve his optimization problem

(1)
$$\min_{\nu} \theta_{\nu}(x) \quad \text{s.t.} \quad c^{\nu}(x) \le 0,$$

where $\theta_{\nu}: \mathbb{R}^n \to \mathbb{R}$ denotes the objective or utility function of player $\nu, c^{\nu}: \mathbb{R}^n \to \mathbb{R}^{r_{\nu}}$ defines the constraints, and the vector x consists of the block components $x^{\nu} \in \mathbb{R}^{n_{\nu}}, \nu = 1, \ldots, N$. These block vectors x^{ν} denote the variables of player ν , and we subsume the remaining blocks into the subvector $x^{-\nu}$, and then sometimes write $x = (x^{\nu}, x^{-\nu})$ to indicate the importance of the block vector x^{ν} within the whole vector x. Note that we have $n = n_1 + \ldots + n_N$; furthermore, we set $r := r_1 + \ldots + r_N$ for the total number of constraints. The GNEP is called *player-convex* if all functions $\theta_{\nu}(\cdot, x^{-\nu})$ and $c_i^{\nu}(\cdot, x^{-\nu})$ are convex for any given $x^{-\nu}$, whereas the GNEP is called *jointly-convex* if, again, the utility functions θ_{ν} are convex as a mapping of x^{ν} and the constraints coincide for all players, i.e. $c^1 = \ldots = c^N =: c$, and c is convex as a function of the entire vector x. Note that the GNEP reduces to the standard Nash equilibrium problem (NEP) in the special case where c^{ν} depends on the subvector x^{ν} only.

Using this notation, we recall that $\bar{x} = (\bar{x}^1, \ldots, \bar{x}^N)$ is a *(generalized) Nash equilibrium* or simply a *solution* of the GNEP if \bar{x} satisfies all the constraints and, in addition, for each player $\nu = 1, \ldots, N$, it holds that

$$\theta_{\nu}(\bar{x}) \le \theta_{\nu}(x^{\nu}, \bar{x}^{-\nu}) \quad \forall x^{\nu} : c^{\nu}(x^{\nu}, \bar{x}^{-\nu}) \le 0,$$

i.e., \bar{x} is a solution if and only if no player ν can improve his situation by unilaterally changing his strategy.

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Note that we do not include equality constraints in our GNEP simply for the sake of notational convenience; our subsequent approach can easily be extended to equality and inequality constraints. Apart from this, the above setting is very general since, so far, we do not assume any convexity assumptions on the mappings θ_{ν} and c^{ν} as is done in many other GNEP papers where only the player-convex or jointly-convex case is considered, cf. [2, 8, 7, 10, 12, 17, 28] for more details. It follows that our framework can, in principle, be applied to very general classes of GNEPs.

In the meantime, there exist a variety of methods for the solution of GNEPs, though most of them are designed for player- or jointly-convex GNEPs and therefore do not cover the GNEP in its full generality. We refer the interested reader once again to the two survey papers [12, 17] and the references therein for a quite complete overview of the existing approaches. One of the main problems when solving a GNEP is an inherent singularity property that arises when some players share the same constraints, see [11] for more details. Hence, second-order methods with fast local convergence are difficult to design. This also motivates us to consider methods which may not be locally superlinearly or quadratically convergent, but have nice global convergence properties.

Penalty-type schemes belong to this class of methods. The first penalty method for GNEPs that we are aware of is due to Fukushima [18]. A related penalty algorithm was also proposed in [13], and a modification of this algorithm is described in [14] where only some of the constraints are penalized. While all these approaches prove exactness results under suitable assumptions, they suffer from the drawback that the resulting penalized subproblems are nonsmooth Nash equilibrium problems and therefore difficult to solve numerically.

Taking this into account, it is natural to apply an augmented Lagrangian-type approach in order to solve GNEPs because the resulting subproblems then have a higher degree of smoothness and should therefore be easier to solve. This idea is not completely new since Pang and Fukushima [22] applied this idea to quasi-variational inequalities (QVIs). An improved version of that method can be found in [20], also for QVIs. Since the GNEP is a special instance of a QVI, these two papers also discuss the GNEP within their general QVI-framework. Here, we apply the augmented Lagrangian idea directly to GNEPs. It turns out that the corresponding results are significantly stronger than or simply different from those that arise from the QVIframework in [20, 22]. In particular, no GNEP-tailored constraint qualifications are considered in [20, 22], and the feasibility issue, which plays a central role in this paper, is not discussed there as a separate topic.

Recall that the augmented Lagrangian (or multiplier-penalty) method is one of the traditional methods for the solution of constrained optimization problems [3, 21] which have also been the subject of some recent research with several improved convergence results, see, e.g., [4] and references therein. We therefore try to adapt these recent improvements to GNEPs in order to get a better understanding of the augmented Lagrangian approach applied to GNEPs. It turns out, however, that some results are different from those that are known for standard optimization problems.

This paper is organized as follows. In Section 2, we deal with GNEP-tailored constraint qualifications (CQs), prove some basic results and present an error bound as an application. Section 3 contains a precise statement of our algorithm; starting with that section, we divide the constraint functions c^{ν} into two parts and penalize only one of these two parts within our (partial) augmented Lagrangian approach. Hence, we consider a whole class of methods which is quite flexible and can take into account the special structure of the underlying GNEP in a very favourable way. Section 4 is

then dedicated to a thorough convergence analysis. To this end, we consider both the feasibility and optimality of limit points of our algorithm; in particular, we introduce a secondary GNEP called *Feasibility GNEP* as a new optimality concept for generalized Nash games which may be viewed as an interesting counterpart of a feasibility result for limit points in the optimization framework, see [4]. In Section 5, we describe how to modify our algorithm in a way that is tailored to the computation of variational equilibria for jointly-convex GNEPs, and state corresponding convergence theorems. Section 6 presents some numerical results, and we conclude with some final remarks in Section 7.

Notation: Given a function f = f(x) of suitable dimension, we denote by ∇f the transposed Jacobian of f. If x^{ν} is a given subvector of x, then $\nabla_{x^{\nu}} f$ denotes the submatrix of ∇f which corresponds to the components x^{ν} . Furthermore, given a scalar α , we write α_+ for max $\{0, \alpha\}$. Similarly, given a vector v, we write v_+ for the vector where the plus-operator is applied component-wise. When dealing with a function, we occasionally also write $f_+(x) = (f(x))_+$. All vector norms without an index are Euclidean norms; the induced matrix norm is denoted by the same symbol.

2. GNEP Constraint Qualifications. This section is dedicated to an analysis of constraint qualifications for GNEPs and their properties. Before we do so, we first recall the definition of a KKT point.

DEFINITION 1. A pair $(x, \lambda) \in \mathbb{R}^{n+r}$ is called a KKT point of the GNEP (1) if

$$\nabla_{x^{\nu}}\theta_{\nu}(x) + \nabla_{x^{\nu}}c^{\nu}(x)\lambda^{\nu} = 0 \quad and \quad \min\{-c^{\nu}(x),\lambda^{\nu}\} = 0$$

for every ν . We call x a KKT point if (x, λ) is a KKT point for some $\lambda \in \mathbb{R}^m$.

Note that $\min\{-c^{\nu}(x), \lambda^{\nu}\} = 0$ is equivalent to $c^{\nu}(x) \leq 0, \lambda^{\nu} \geq 0$ and $c^{\nu}(x)^{T}\lambda^{\nu} = 0$.

In the theory of augmented Lagrangian methods for optimization problems, two constraint qualifications have proven to be particularly important: the (extended) Mangasarian-Fromovitz constraint qualification and the constant positive linear dependence condition (see [4, 24]). Here, we present suitable extensions of these conditions to the GNEP setting.

2.1. Constraint Qualifications. Recall that we have a GNEP of the form (1). The first condition we present is a GNEP-tailored version of CPLD. Note that we call a collection of vectors v_1, \ldots, v_k positively linearly dependent if the system $\lambda_1 v_1 + \ldots + \lambda_k v_k = 0$, $\lambda_i \ge 0$, has a nontrivial solution. Otherwise, the vectors are called *positively linearly independent*.

DEFINITION 2. Consider a GNEP of the form (1). Let ν be a given index and $x \in \mathbb{R}^n$ be a given point with $c^{\nu}(x) \leq 0$. We say that c^{ν} satisfies CPLD with respect to player ν or simply CPLD_{ν} if, whenever the partial gradients $\nabla_{x^{\nu}}c_i^{\nu}(x)$ $(i \in I)$ are positively linearly dependent for some subset $I \subset \{i \in \{1, \ldots, r_{\nu}\} \mid c_i^{\nu}(x) = 0\}$, the same gradients are linearly dependent in a neighbourhood of x. Moreover, we say that the GNEP (1) satisfies GNEP-CPLD in x if, for every $\nu \in \{1, \ldots, N\}$, the function c^{ν} satisfies CPLD_{ν} in x.

In the simplest case N = 1 (i.e. there is only one player), the above reduces to the classical CPLD, cf. [24]. Hence, one might consider GNEP-CPLD as a straightforward generalization of CPLD to the multi-player setting. However, there are some peculiarities that need to be pointed out. Clearly, the above condition only makes an assertion about the partial gradients with regard to the respective player's variable x^{ν} . However, we require that the positive linear dependence (if there is one) extends

to a whole neighbourhood of x. This makes Definition 2 a condition which should not be attributed to each player ν but rather to the GNEP as a whole.

We now define an analogue of the extended MFCQ. Here, we do not require the point x to be feasible, hence the term *extended* MFCQ.

DEFINITION 3. Consider a GNEP of the form (1). Let ν be a given index and $x \in \mathbb{R}^n$ be a given point. We say that c^{ν} satisfies EMFCQ with respect to player ν or simply EMFCQ_{ν} if there is a vector $d^{\nu} \in \mathbb{R}^{n_{\nu}}$ such that

$$c_i^{\nu}(x) \geq 0 \implies \nabla_{x^{\nu}} c_i^{\nu}(x)^T d^{\nu} < 0$$

holds for every $i \in \{1, ..., r_{\nu}\}$. Moreover, we say that the GNEP (1) satisfies GNEP-EMFCQ in x if, for every $\nu \in \{1, ..., N\}$, the function c^{ν} satisfies EMFCQ_{ν} in x.

While GNEP-CPLD seems to be a new constraint qualification for GNEPs, the GNEP-EMFCQ condition is already used in [13, 18] to prove exactness results for suitable penalty methods; apart from this, these references do not contain any further discussion of GNEP-EMFCQ. Since both constraint qualifications play a central role in our subsequent analysis, we therefore discuss their main properties in this section.

To this end, first note that EMFCQ boils down to the classical MFCQ condition in case of feasible points x. Hence, when dealing with feasible points, we will sometimes simply write GNEP-MFCQ instead of GNEP-EMFCQ. By use of a classical theorem of the alternative, it is easy to see that Definition 3 can equivalently be stated as the gradients $\nabla_{x^{\nu}} c_i^{\nu}(x)$ ($c_i^{\nu}(x) \geq 0$) being positively linearly independent. This immediately shows that GNEP-MFCQ (for feasible points) implies GNEP-CPLD.

Clearly, the above two CQs are conditions which are tailored to GNEPs. However, it is not immediately clear whether there is a relationship between the "classical" constraint qualifications and their GNEP counterparts. In fact, one could simply concatenate the player constraints c^{ν} into one mapping

(2)
$$c(x) = \begin{pmatrix} c^{1}(x) \\ \vdots \\ c^{N}(x) \end{pmatrix}$$

and ask whether we can reduce GNEP constraint qualifications to conditions for this function. In general, however, this is not possible. To this end, consider the following set of examples.

Example 4. In both examples, we have two players $\nu = 1, 2$ with $n_1 = n_2 := 1$, and the mapping c is defined by (2) with $r_1 = r_2 := 1$. To simplify the notation, we write c_1 and c_2 instead of c_1^1 and c_2^2 , respectively, for the two components of c.

(a) Consider the function

$$c(x_1, x_2) = \begin{pmatrix} x_1 \\ x_1 + x_2^2 \end{pmatrix}$$

and the point $\bar{x} = (0,0)$. Using d = (-1,0), it follows that $\nabla c_1(\bar{x})^T d < 0$ and $\nabla c_2(\bar{x})^T d < 0$. Hence, standard EMFCQ holds for this constraint. However, we have $\nabla_{x_2} c_2(\bar{x}) = 0$, which means that EMFCQ₂ cannot hold. In fact, even CPLD₂ is not satisfied since $\nabla_{x_2} c_2(x) = 2x_2$ for all $x \in \mathbb{R}^2$.

(b) Consider the function

$$c(x_1, x_2) = \begin{pmatrix} 2x_1 - x_2^2 - 1\\ 2x_2 - x_1^2 - 1 \end{pmatrix}$$

and the point $\bar{x} = (1, 1)$. Due to $\nabla_{x_1} c_1(x) = \nabla_{x_2} c_2(x) = 2$, it is clear that GNEP-EMFCQ holds in \bar{x} . On the other hand, the gradients of c are given by

$$abla c_1(x) = \begin{pmatrix} 2\\ -2x_2 \end{pmatrix}, \quad \nabla c_2(x) = \begin{pmatrix} -2x_1\\ 2 \end{pmatrix}.$$

This shows that c satisfies neither EMFCQ nor CPLD in \bar{x} .

These examples show that, in general, the classical CPLD and EMFCQ are entirely different conditions in comparison to their GNEP counterparts. There is, however, an important special case which arises if the functions c^{ν} depend on x^{ν} only, so we have a standard NEP. In this case, the transposed Jacobian $\nabla c(x)$ is a block diagonal matrix of the form

(3)
$$\nabla c(x) = \begin{pmatrix} \nabla_{x^1} c^1(x^1) & & \\ & \ddots & \\ & & \nabla_{x^N} c^N(x^N) \end{pmatrix} \quad \text{with} \quad \nabla_{x^\nu} c^\nu(x^\nu) \in \mathbb{R}^{n_\nu \times r_\nu}.$$

This makes it easy to prove that GNEP-CPLD is equivalent to CPLD (for the function c), and the same holds with CPLD replaced by EMFCQ.

THEOREM 5. Consider a standard NEP of the form (1) with C^1 -functions θ_{ν} and c^{ν} . If $\bar{x} \in \mathbb{R}^n$ is a given point, then the following assertions are true:

- (a) If x̄ is feasible, then GNEP-CPLD holds in x̄ iff c satisfies CPLD in x̄.
 (b) GNEP-EMFCQ holds in x̄ iff c satisfies EMFCQ in x̄.
- (b) $GNEI EMF \cup Q$ notas in x ijj c satisfies $EMF \cup Q$ in x.

Proof. The proof is based on (3) and is rather straightforward.

We now prove two theorems which establish the role of GNEP-CPLD and GNEP-EMFCQ as constraint qualifications. These theorems play a fundamental role in our analysis and will be referenced multiple times later on. It should be noted, however, that the proofs are obtained by suitable adaptations of the corresponding proofs for classical optimization problems.

THEOREM 6. Consider a GNEP of the form (1) where θ_{ν} and c^{ν} are C^1 -functions. Let $(x^k) \subset \mathbb{R}^n$ be a sequence converging to \bar{x} and $(\lambda^{\nu,k}) \subset \mathbb{R}^{r_{\nu}}$ be vectors with

(4)
$$\nabla_{x^{\nu}}\theta_{\nu}(x^{k}) + \nabla_{x^{\nu}}c^{\nu}(x^{k})\lambda^{\nu,k} \to 0 \quad and \quad \min\{-c^{\nu}(x^{k}),\lambda^{\nu,k}\} \to 0$$

for every ν . If GNEP-CPLD holds in \bar{x} , then \bar{x} together with some multiplier $\bar{\lambda}$ is a KKT point of the GNEP.

Proof. Let $\nu \in \{1, \ldots, N\}$. Since the relations (4) remain true if we replace $\lambda^{\nu,k}$ by $\lambda^{\nu,k}_+$, we may assume, without loss of generality, that $\lambda^{\nu,k} \ge 0$ for all k. Furthermore, we have $\lambda^{\nu,k}_i \to 0$ for every i with $c^{\nu}_i(\bar{x}) < 0$. Hence, we get

$$\nabla_{x^{\nu}}\theta_{\nu}(x^k) + \sum_{c_i^{\nu}(\bar{x})=0} \lambda_i^{\nu,k} \nabla_{x^{\nu}} c_i^{\nu}(x^k) \to 0$$

Using a Carathéodory-type result, cf. [4, Lem. 3.1], we can choose subsets

$$I^{\nu,k} \subset \{i \mid c_i^{\nu}(\bar{x}) = 0\}$$
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such that the gradients $\nabla_{x^{\nu}} c_i(x^k)$ $(i \in I^{\nu,k})$ are linearly independent and we can write

$$\sum_{c_i^{\nu}(\bar{x})=0} \lambda_i^{\nu,k} \nabla_{x^{\nu}} c_i^{\nu}(x^k) = \sum_{i \in I^{\nu,k}} \hat{\lambda}_i^{\nu,k} \nabla_{x^{\nu}} c_i^{\nu}(x^k)$$

for some vectors $\hat{\lambda}^{\nu,k} \geq 0$. Subsequencing if necessary, we may assume that $I^{\nu,k} = I^{\nu}$ for every k, i.e. we get

(5)
$$\nabla_{x^{\nu}}\theta_{\nu}(x^{k}) + \sum_{i\in I^{\nu}}\hat{\lambda}_{i}^{\nu,k}\nabla_{x^{\nu}}c_{i}^{\nu}(x^{k}) \to 0.$$

We claim that the sequence $(\hat{\lambda}^{\nu,k})$ is bounded. If this is not the case, then we can divide both sides of the above equation by $\|\hat{\lambda}^{\nu,k}\|$, take the limit $k \to \infty$ on a suitable subsequence and obtain a nontrivial positive linear combination of the gradients $\nabla_{x^{\nu}} c_i(\bar{x}), i \in I^{\nu}$, which vanishes. Hence, by CPLD, these gradients should be linearly dependent in a neighbourhood of \bar{x} , which is a contradiction.

Hence $(\hat{\lambda}^{\nu,k})$ is bounded; let $\bar{\lambda}_i^{\nu}$ $(i \in I^{\nu})$ be a limit point. Setting $\bar{\lambda}_i^{\nu} := 0$ for all $i \notin I^{\nu}$, and taking into account (5), it follows that \bar{x} together with the multiplier $\bar{\lambda}^{\nu}$ satisfies the KKT conditions of player ν . Since $\nu \in \{1, \ldots, N\}$ was chosen arbitrarily, the statement follows.

Note that assumption (4) means that x^k , together with some multiplier estimate $\lambda^{\nu,k}$, satisfies the KKT conditions of player ν inexactly. In contrast to the approximate KKT conditions used in [4] (also applied in [20]), however, we do not assume that the multiplier estimates are nonnegative which gives some more freedom in our choice of methods for computing approximate KKT points. Furthermore, let us mention explicitly that (4) automatically implies that any limit point of the sequence (x^k) is at least feasible for the GNEP (1).

We also stress that, as is usually the case with CPLD-type conditions, the ν -th component of the vector $\bar{\lambda}$ is not necessarily a limit point of the sequence $(\lambda^{\nu,k})$. This property is, in general, only true if we assume a stronger constraint qualification. To this end, consider the following theorem which uses GNEP-MFCQ (recall the feasibility of the limit points, hence there is no need to assume GNEP-EMFCQ).

THEOREM 7. Consider a GNEP of the form (1) where θ_{ν} and c^{ν} are C^{1} -functions. Let $(x^{k}) \subset \mathbb{R}^{n}$ be a sequence converging to \bar{x} and $(\lambda^{\nu,k}) \subset \mathbb{R}^{r_{\nu}}$ be vectors such that (4) holds for every ν . If GNEP-MFCQ holds in \bar{x} , then the sequences $(\lambda^{\nu,k})$ are bounded. Moreover, if $\bar{\lambda}^{\nu}$ is a limit point of $(\lambda^{\nu,k})$ for every ν , then \bar{x} together with $\bar{\lambda} = (\bar{\lambda}^{1}, \dots, \bar{\lambda}^{N})$ is a KKT point of the GNEP.

Proof. Clearly, it suffices to show the boundedness. To this end, let $\nu \in \{1, \ldots, N\}$ be an arbitrary player. By assumption, we have $\lambda_i^{\nu,k} \to 0$ for every i with $c_i^{\nu}(\bar{x}) < 0$. Hence, recalling that \bar{x} is feasible by (4), we get

$$\nabla_{x^{\nu}}\theta_{\nu}(x^k) + \sum_{c_i^{\nu}(\bar{x})=0} \lambda_i^{\nu,k} \nabla_{x^{\nu}} c_i^{\nu}(x^k) \to 0.$$

Assume now, by contradiction, that $\|\lambda^{\nu,k}\| \to \infty$. Dividing the above equation by $\|\lambda^{\nu,k}\|$, we obtain

$$\sum_{\substack{c_i^{\nu,k}(\bar{x})=0\\ c_i^{\nu}(\bar{x})=0}} \alpha_i^{\nu,k} \nabla_{x^{\nu}} c_i^{\nu}(x^k) \to 0, \quad \text{where} \quad \alpha^{\nu,k} = \frac{\lambda^{\nu,k}}{\|\lambda^{\nu,k}\|}.$$

Obviously, $(\alpha^{\nu,k})$ is bounded and has a limit point α^{ν} with $\alpha^{\nu} \ge 0$ and $\|\alpha^{\nu}\| = 1$. Hence, we obtain

$$\sum_{c_i^\nu(\bar{x})=0} \alpha_i^\nu \nabla_{x^\nu} c_i^\nu(\bar{x}) = 0,$$

which contradicts GNEP-MFCQ.

The previous results indicate that GNEP-MFCQ is a more practical property than GNEP-CPLD, because it allows us to explicitly construct the multipliers which make \bar{x} a KKT point. However, when dealing with approximate KKT conditions of the type

(6)
$$\nabla_{x^{\nu}}\theta_{\nu}(x^{k}) + \nabla_{x^{\nu}}c^{\nu}(x^{k})\lambda^{\nu,k} \to 0$$

we will typically use an inexact stopping criterion. That is, we stop the iteration as soon as the left-hand side of the above equation is sufficiently close to zero, regardless of whether $\lambda^{\nu,k}$ is close to a multiplier $\bar{\lambda}^{\nu}$ which satisfies $\nabla_{x^{\nu}}\theta_{\nu}(\bar{x}) + \nabla_{x^{\nu}}c^{\nu}(\bar{x})\bar{\lambda}^{\nu} = 0$. It is a peculiarity of GNEP-CPLD that the sequence of multipliers can be unbounded, but we still have the approximate KKT condition (6).

2.2. An Error Bound Result. There exist different types of error bounds in the optimization literature. One class of error bounds provides a computable estimate for the distance of a given point to the solution set or the set of KKT points, the other class provides a measure for the distance to the feasible set. For GNEPs, there exist some error bound results of the former type, see the papers [6, 19], whereas here we use our GNEP constraint qualifications to show that they can be used to obtain an error bound of the latter type.

To this end, consider a GNEP of the form (1) where c^{ν} is the constraint function of player ν . It will be convenient to define the sets

$$X_{\nu}(x^{-\nu}) = \{ x^{\nu} \in \mathbb{R}^{n_{\nu}} \mid c^{\nu}(x^{\nu}, x^{-\nu}) \le 0 \}.$$

It is well known that, for classical optimization problems, the CPLD constraint qualification implies a local error bound on the feasible set, see [1]. This result can readily be applied to GNEPs if we consider the concatenated constraint function c from (2). This yields an error bound on the distance to the set

$$X = \{ x \in \mathbb{R}^n \mid c(x) \le 0 \},\$$

i.e. the set of points which are feasible for every player. However, this set is not natural to GNEPs since it does not preserve the structure of the players' individual optimization problems. Furthermore, we cannot expect such an error bound to hold without additional requirements on the partial gradients $\nabla_{x^{\mu}}c^{\nu}(x)$, $\mu \neq \nu$, of player ν 's constraint function with respect to another player μ . Hence, it is more natural to ask for player-specific error bounds of the form

(7)
$$\operatorname{dist}(x^{\nu}, X_{\nu}(x^{-\nu})) \leq C \|c_{+}^{\nu}(x)\|,$$

which measure the distance of x^{ν} to the corresponding set $X_{\nu}(x^{-\nu})$. Special care needs to be taken because the set $X_{\nu}(x^{-\nu})$ could be empty. In fact, this latter point is where the theory of GNEP error bounds is substantially different from the corresponding theory for classical optimization problems. To see this, consider a point x and a player ν such that x^{ν} is on the boundary of $X_{\nu}(x^{-\nu})$. Two questions need to be considered:

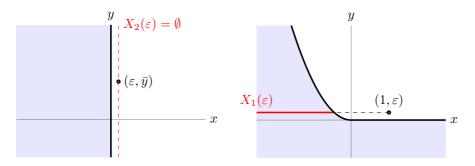


FIGURE 1. Illustration of Example 2.7(a) (left) and (b) (right).

- Is there a neighbourhood U of x such that the set $X_{\nu}(y^{-\nu})$ is nonempty for every $y \in U$?
- If y^k is a sequence of points converging to x, does the sequence of distances $d^k = \text{dist}(y^{\nu,k}, X_{\nu}(y^{-\nu,k}))$ converge to zero?

It is particularly the second question which poses significant difficulties to our analysis. In fact, a consequence of these problems is that GNEP-CPLD is not strong enough to imply a partial error bound.

- *Example* 8. (a) Consider a jointly-convex GNEP with two players, each controlling a single variable. For simplicity, we denote the variables by x and y. The constraint function is given by $c^1(x, y) = c^2(x, y) = x$. Clearly, GNEP-CPLD holds at every feasible point, because the constraints are linear. However, given any point $(0, \bar{y})$ on the boundary of the feasible region and a neighbourhood U, there are points $(x, y) \in U$ such that $X_2(x)$ is empty. For instance, we can simply choose $(x, y) = (\varepsilon, \bar{y})$ for any $\varepsilon > 0$, cf. Figure 1 (left).
- (b) Consider another GNEP with two players, each controlling a single variable. Like above, we write x and y. Let player 1's (smooth!) constraint function be given by $c^1(x, y) = y - \min\{0, x\}^2$. Consider the feasible point $(\bar{x}, \bar{y}) = (1, 0)$. The function c^1 is linear in a neighbourhood of (\bar{x}, \bar{y}) , which implies that GNEP-CPLD holds. Furthermore, unlike with example (a), the set $X_1(y)$ is nonempty for every (x, y) in a neighbourhood of (\bar{x}, \bar{y}) . Despite this, an error bound does not hold because, given any point $(x, y) = (1, \varepsilon)$ with $\varepsilon > 0$, it holds that dist $(x, X_1(y)) = 1 + \sqrt{\varepsilon}$, cf. Figure 1 (right).

Despite this negative result, it turns out that GNEP-MFCQ does imply an error bound. In order to show this, we first prove a technical lemma.

LEMMA 9. For a GNEP of the form (1), let ν be a given index, let x be a given point with $c^{\nu}(x) \leq 0$ and assume that c^{ν} satisfies $MFCQ_{\nu}$ in x. Then we have the following properties:

- (a) There is a neighbourhood U of x such that, for every $y \in U$, the set $X_{\nu}(y^{-\nu})$ is nonempty.
- (b) Given $\varepsilon > 0$, we can choose a neighbourhood U of x such that, for every $y \in U$, there is a point $z^{\nu} \in X_{\nu}(y^{-\nu})$ with $||z^{\nu} y^{\nu}|| \le \varepsilon$.

Proof. Since statement (b) implies (a), it suffices to show assertion (b). To this end, let $\varepsilon > 0$ be a positive number. By $MFCQ_{\nu}$, there is a vector $d^{\nu} \in \mathbb{R}^{n_{\nu}}$ such that $\nabla_{x^{\nu}} c_i^{\nu}(x)^T d^{\nu} < 0$ holds for every *i* with $c_i^{\nu}(x) = 0$. By the mean value theorem

and the continuity of c^{ν} , this implies that, for sufficiently small t > 0, the point $x_t = (x^{\nu} + td^{\nu}, x^{-\nu})$ is strictly feasible for player ν , i.e. $c_i^{\nu}(x^t) < 0$ for all $i = 1, \ldots, r_{\nu}$ and all t > 0 sufficiently small. We then choose t > 0 small enough so that $||x_t - x|| \leq \varepsilon/2$ and, subsequently, a radius r > 0 such that the (full-dimensional) neighbourhood $B_r(x_t)$ consists of feasible points for player ν ; note that the latter exists by the continuity of c^{ν} and the strict feasibility of x_t for player ν . Now, set $r' = \min\{r, \varepsilon/2\}$ and $U = B_{r'}(x)$. We claim that this set U has the desired properties. In fact, take an arbitrary element $y \in U$, and define $z^{\nu} := x^{\nu} + td^{\nu}$. Then we have $(z^{\nu}, y^{-\nu}) \in B_r(x_t)$ and hence $z^{\nu} \in X_{\nu}(y^{-\nu})$. Furthermore, $||x^{\nu} - y^{\nu}|| \leq ||x - y|| \leq r' \leq \varepsilon/2$ and $||z^{\nu} - x^{\nu}|| = ||td^{\nu}|| = ||x_t - x|| \leq \varepsilon/2$, hence the triangle inequality implies $||z^{\nu} - y^{\nu}|| \leq ||z^{\nu} - x^{\nu}|| + ||x^{\nu} - y^{\nu}|| \leq \varepsilon$. This completes the proof.

The above lemma guarantees that, for y in a vicinity of a given point x, the projection of y^{ν} onto the feasible set $X_{\nu}(y^{-\nu})$ is sufficiently well-behaved. Roughly speaking, if y is close to x, then there is a feasible point $(z^{\nu}, y^{-\nu})$ which is close to y (and hence, close to x). Note that, in view of the previous examples, GNEP-CPLD is not enough to even imply part (a) of the lemma.

THEOREM 10. For a GNEP of the form (1), let ν be a given index and x be a given point with $c^{\nu}(x) \leq 0$. Assume that c^{ν} satisfies $MFCQ_{\nu}$ in x and $\nabla_{x^{\nu}}c^{\nu}$ is Lipschitz-continuous in a neighbourhood of x. Then there is a constant C > 0 and a neighbourhood U of x such that, for every $y \in U$, we have the error bound (7).

Proof. By Lemma 9 (a), there is a neighbourhood \tilde{U} of x such that, for every $y \in \tilde{U}$, the set $X_{\nu}(y^{-\nu})$ is nonempty. By the local Lipschitz continuity of $\nabla_{x^{\nu}}c^{\nu}$, we can choose \tilde{U} small enough so that there is a constant $C_1 > 0$ with

(8)
$$c_i^{\nu}(z) + \nabla_{z^{\nu}} c_i^{\nu}(z)^T (y^{\nu} - z^{\nu}) \le c_i^{\nu}(y) + C_1 \|z^{\nu} - y^{\nu}\|^2$$

for every $i = 1, ..., r_{\nu}$ and $y, z \in \tilde{U}$ with $y^{-\nu} = z^{-\nu}$. Now, let $y \in \tilde{U}$ be an infeasible point for player ν (for feasible points, there is nothing to prove), and let $z^{\nu} = z^{\nu}(y)$ be a projection of y^{ν} onto the (nonempty and closed, but not necessarily convex) set $X_{\nu}(y^{-\nu})$, i.e. z^{ν} is a solution of the optimization problem

(9)
$$\min \|\xi^{\nu} - y^{\nu}\| \quad \text{s.t.} \quad c^{\nu}(\xi^{\nu}, y^{-\nu}) \le 0.$$

For brevity, we write $z = (z^{\nu}, y^{-\nu})$. Since MFCQ_{ν} holds at x, this condition also holds in a neighbourhood of x. Taking into account Lemma 9 (b), it follows that the point z is arbitrarily close to y. Hence, without loss of generality, we can assume that MFCQ_{ν} holds at z. It then follows that z^{ν} satisfies the KKT condition

$$\frac{z^{\nu} - y^{\nu}}{\|z^{\nu} - y^{\nu}\|} + \nabla_{z^{\nu}} c^{\nu}(z) \lambda^{\nu} = 0$$

of the optimization problem (9), where $\lambda^{\nu} = \lambda^{\nu}(y) \in \mathbb{R}^{r_{\nu}}$ denotes a corresponding (nonnegative) Lagrange multiplier. Premultiplying this equation by $(z^{\nu} - y^{\nu})^T$ yields

$$||z^{\nu} - y^{\nu}|| = (\lambda^{\nu})^{T} \nabla_{z^{\nu}} c^{\nu}(z)^{T} (y^{\nu} - z^{\nu}) \le \sum_{i \in I^{\nu}} \lambda_{i}^{\nu} \nabla_{z^{\nu}} c_{i}^{\nu}(z)^{T} (y^{\nu} - z^{\nu}),$$

where $I^{\nu} = I^{\nu}(y)$ is the set of indices for which the corresponding term in the sum is positive. Since $\lambda_i^{\nu} \ge 0$ for all $i = 1, \ldots, r_{\nu}$, this implies $\lambda_i^{\nu} > 0$ and $\nabla_{z^{\nu}} c_i^{\nu}(z)^T (y^{\nu} - z^{\nu}) > 0$ for all $i \in I^{\nu}$. In particular, we have $c_i^{\nu}(z) = 0$ for every $i \in I^{\nu}$. Furthermore, Theorem 7 implies the existence of a constant $C_2 > 0$ such that $\|\lambda^{\nu}(y)\| \le C_2$ for every $y \in \tilde{U}$. We now apply Lemma 9 (b) with $\varepsilon = (2r_{\nu}C_1C_2)^{-1}$ and obtain a neighbourhood $U \subset \tilde{U}$ of x with $||z^{\nu}(y) - y^{\nu}|| \leq \varepsilon$ for every $y \in U$. It follows that

$$\begin{aligned} \|z^{\nu} - y^{\nu}\| &\leq \sum_{i \in I^{\nu}} \underbrace{\lambda_{i}^{\nu}}_{\leq C_{2}} \underbrace{\nabla_{z^{\nu}} c_{i}^{\nu}(z)^{T} (y^{\nu} - z^{\nu})}_{>0} \\ &\leq C_{2} \sum_{i \in I^{\nu}} \left(\underbrace{c_{i}^{\nu}(z)}_{=0}^{+} + \nabla_{z^{\nu}} c_{i}^{\nu}(z)^{T} (y^{\nu} - z^{\nu}) \right) \\ &\stackrel{(8)}{\leq} C_{2} \sum_{i \in I^{\nu}} \left(c_{i}^{\nu}(y) + C_{1} \|z^{\nu} - y^{\nu}\|^{2} \right) \\ &\leq C_{2} \sum_{i \in I^{\nu}} c_{i}^{\nu}(y) + C_{1} C_{2} r_{\nu} \|z^{\nu} - y^{\nu}\|^{2} \end{aligned}$$

and hence

$$\|z^{\nu} - y^{\nu}\| - r_{\nu}C_{1}C_{2}\|z^{\nu} - y^{\nu}\|^{2} \le C_{2}\sum_{i\in I^{\nu}}c_{i}^{\nu}(y) \le C_{2}\|c_{+}^{\nu}(y)\|_{1}$$

for every $y \in U$. This implies the desired error bound, since

$$||z^{\nu} - y^{\nu}|| - r_{\nu}C_1C_2||z^{\nu} - y^{\nu}||^2 \ge \frac{1}{2}||z^{\nu} - y^{\nu}||$$

by the definition of ε .

The above theorem establishes player-individual error bounds for GNEPs which satisfy GNEP-MFCQ. Note that this does not imply an error bound to the set X of points which are feasible for the GNEP as a whole. In fact, the latter set could be empty and Theorem 10 still holds.

3. An Augmented Lagrangian Method. This section describes an augmented Lagrangian method for GNEPs. Due to the nature of our penalization scheme, we have decided to adjust the notation in a manner that accounts for the possibility of partial penalization. To this end, we replace the constraint functions c^{ν} from (1) by pairs of functions

$$c^{\nu} = \begin{pmatrix} g^{\nu} \\ h^{\nu} \end{pmatrix} \quad \text{with} \quad g^{\nu} : \mathbb{R}^n \to \mathbb{R}^{m_{\nu}}, \quad h^{\nu} : \mathbb{R}^n \to \mathbb{R}^{p_{\nu}} \quad (\text{i.e. } r_{\nu} = m_{\nu} + p_{\nu})$$

both of which are assumed to be at least continuously differentiable. Similarly to the previous notation, we write

$$m := m_1 + \ldots + m_N, \qquad p := p_1 + \ldots + p_N$$

and consider a GNEP where player ν has to solve the optimization problem

(10)
$$\min_{x^{\nu}} \theta_{\nu}(x) \quad \text{s.t.} \quad g^{\nu}(x) \le 0, \quad h^{\nu}(x) \le 0$$

In principle, this is exactly the same problem as (1). However, the two functions g^{ν} and h^{ν} play completely different roles in our method. More precisely, g^{ν} describes the set of constraints which we will penalize, whereas h^{ν} is an (optional) constraint function which will stay as a constraint in the penalized subproblems. We stress that this framework is very general and gives us some flexibility to deal with different situations. The most natural choices are probably the following ones:

- 1. Penalize all contraints. This full penalization approach is probably the simplest and most straightforward approach where, formally, we set $p_{\nu} = 0$ for every player. The resulting subproblems are unconstrained NEPs and are therefore, in principle, simple to solve. Note that, since we use an augmented Lagrangian method, these subproblems are still smooth in contrast to the (exact) penalty schemes investigated in [13, 18].
- 2. Another natural splitting is the case where h^{ν} covers all constraints that depend on x^{ν} only, whereas g^{ν} subsumes the remaining constraints. The resulting penalized problems then become standard (constrained) NEPs and are therefore easier to solve than the given GNEP since the (presumably) difficult constraints are moved to the objective function.
- 3. Finally, the functions h^{ν} might, in addition to those constraints depending on x^{ν} only, also contain some constraints that depend on the whole vector x, like some joint constraints for all players. The advantages is that these constraints might yield a compact feasible set, so this approach might be useful to guarantee the solvability of the resulting subproblems. The latter are, in general, more complicated in this case, but might still be easier than the original GNEP, for example, in the particular case where the penalized subproblem becomes a jointly-convex GNEP.

In any case, from now on, we consider GNEPs where player ν has to solve problems of the form (10) (recall that h^{ν} might not exist). Since we perform a partial penalization of (10), we obtain a penalized GNEP where each player ν has to solve the optimization problem

(11)
$$\min_{x^{\nu}} L_{a}^{\nu}(x, u^{\nu}; \rho_{\nu}) \quad \text{s.t.} \quad h^{\nu}(x) \le 0$$

for some parameters u^{ν} and ρ_{ν} which will typically vary in each iteration. The function L_a^{ν} is the augmented Lagrangian of player ν . A typical choice is

$$L_{a}^{\nu}(x,u;\rho) = \theta_{\nu}(x) + \frac{\rho}{2} \left\| \left(g^{\nu}(x) + \frac{u}{\rho} \right)_{+} \right\|^{2},$$

which is the classical Powell-Hestenes-Rockafellar augmented Lagrangian (see [26]) of the optimization problem

$$\min_{x\nu} \theta_{\nu}(x) \quad \text{s.t.} \quad g^{\nu}(x) \le 0$$

Note that multiple variants of L_a^ν exist in the literature.

We proceed by stating our algorithmic framework. Whenever there is a sequence such as (λ^k) which consists of components for each player, we will indicate the sequences of each player by $(\lambda^{\nu,k})$. That is, we have $\lambda^k = (\lambda^{1,k}, \ldots, \lambda^{N,k})$. We use this notation whenever applicable.

ALGORITHM 11. (Augmented Lagrangian method for GNEPs)

- (S.0) Choose $(x^0, \lambda^0, \mu^0) \in \mathbb{R}^{n+m+p}$. Let $u^{\max} \ge 0, \tau_{\nu} \in (0, 1), \gamma_{\nu} > 1, \rho_{\nu,0} > 0$ for all $\nu = 1, \ldots, N$, and set k := 0.
- (S.1) If (x^k, λ^k, μ^k) is an approximate KKT point of the GNEP: STOP.
- (S.2) Compute an approximate KKT point (to be defined below) (x^{k+1}, μ^{k+1}) of the GNEP consisting of the minimization problems

(12)
$$\min_{x^{\nu}} L_{a}^{\nu}(x, u^{\nu,k}; \rho_{\nu,k}) \quad \text{s.t.} \quad h^{\nu}(x) \le 0$$

for each player $\nu = 1, \ldots, N$.

(S.3) For $\nu = 1, ..., N$, update the vector of multipliers to

(13)
$$\lambda^{\nu,k+1} = \left(u^{\nu,k} + \rho_{\nu,k}g^{\nu}(x^{k+1})\right)_{+}$$

(S.4) For all $\nu = 1, ..., N$, if

(14)
$$\left\| \min\{-g^{\nu}(x^{k+1}), \lambda^{\nu,k+1}\} \right\| \le \tau_{\nu} \left\| \min\{-g^{\nu}(x^{k}), \lambda^{\nu,k}\} \right\|,$$

then set $\rho_{\nu,k+1} := \rho_{\nu,k}$. Else, set $\rho_{\nu,k+1} := \gamma_{\nu}\rho_{\nu,k}$. (S.5) Set $u^{k+1} = \min\{\lambda^{k+1}, u^{\max}\}, k \leftarrow k+1, and go to (S.1)$.

Some comments are due. First among them is the fact that the objective functions in (12) are continuously differentiable, and their gradients are given by

$$\nabla L_a^{\nu}(x, u; \rho) = \nabla \theta_{\nu}(x) + \nabla g^{\nu}(x) \left(u + \rho g^{\nu}(x)\right)_+$$

a similar expression holds for the partial gradients with respect to x^{ν} . Note that L_a^{ν} is, in general, not twice differentiable even if all functions involved in our GNEP from (10) are twice continuously differentiable, however, the above expression of the gradient clearly shows that the gradient of L_a^{ν} is still (strongly) semismooth, see, e.g., [15] for more details.

Secondly, it should be noted that the sequence (u^k) plays an essential role in the algorithm. Due to the formula in Step 5, it is natural to think of u^k as a safeguarded analogue of λ^k . In fact, the boundedness of (u^k) is the single property which is most important to our convergence theory. Furthermore, note that the algorithm reduces to a standard quadratic penalty method if we set $u^{\max} = 0$. In practice, however, it is much more desirable to set u^{\max} to some fixed large value; we will revisit this matter when discussing the numerical results in Section 6.

Our third comment is a practical one. Clearly, the main cost for a single iteration of Algorithm 11 lies in Step 2, where we have to (approximately) solve a penalized GNEP. Hence, the overall feasibility of the method crucially depends on the solution of these subproblems. In an ideal scenario, we are able to compute approximate solutions for the penalized GNEPs relatively cheaply. However, we are yet to specify what we mean by "approximate solutions". To this end, consider the following assumption.

Assumption 12. At Step 2 of Algorithm 11, we obtain $(x^{k+1}, \mu^{k+1}) \in \mathbb{R}^{n+p}$ with

$$\begin{aligned} \left\| \nabla_{x^{\nu}} L_{a}^{\nu}(x^{k+1}, u^{\nu,k}; \rho_{\nu,k}) + \nabla_{x^{\nu}} h^{\nu}(x^{k+1}) \mu^{\nu,k+1} \right\| &\leq \varepsilon_{k} \\ \| \min\{-h^{\nu}(x^{k+1}), \mu^{\nu,k+1}\} \| &\leq \varepsilon_{k}' \end{aligned}$$

for every ν . Here, $(\varepsilon_k) \subset \mathbb{R}_+$ is bounded and $(\varepsilon'_k) \subset \mathbb{R}_+$ tends to zero.

Of course, when dealing with optimality theorems, we will make the additional assumption that $\varepsilon_k \to 0$.

At first glance, it seems that Assumption 12 is nothing but an approximate KKT condition for the subproblem given by (12). However, we do not require the multipliers $\mu^{\nu,k}$ to be nonnegative. This is because the second condition already implies that $\liminf_{k\to\infty} \mu^{\nu,k} \ge 0$ for every ν , where the limit is understood component-wise. In other words, every limit point of the sequence $(\mu^{\nu,k})$ must be nonnegative, but the values $\mu^{\nu,k}$ themselves are allowed to be negative. This has the benefit that, when computing approximate solutions of (12), we allow the solutions to be inexact even in the sense that the multipliers could become negative. From a practical point of

view, this difference plays some role because it allows, for example, the application of semismooth Newton-type methods for the inexact solution of the resulting penalized subproblems (which, in general, do not guarantee the nonnegativity of the multiplier estimates).

Let us also stress that we do not assume that we solve (or approximately solve) the penalized subproblems in (S.4), only (approximate) KKT points are required. This is of particular importance since, in principle, our method should be able to deal with nonconvex problems, i.e. with GNEPs which, in general, are neither player-convex nor jointly-convex. Of course, this general setting does not allow us to get solutions of the original GNEP, but the subsequent convergence theory still shows that we get something useful as limit points.

As a final note, it is evident that Assumption 12 can be simplified in the case of full penalization. Here, we can equivalently state the assumption as

$$\left\|\nabla_{x^{\nu}}L_{a}^{\nu}(x^{k+1}, u^{\nu,k}; \rho_{\nu,k})\right\| \leq \varepsilon_{k}$$

and omit the auxiliary parameters $\mu^{\nu,k}$ and ε'_k .

4. Convergence Analysis. We proceed with a thorough convergence analysis for Algorithm 11. The analysis is split into two parts: one which deals with the feasibility of limit points and one which deals with optimality. Throughout this section, we will implicitly assume that the method generates an infinite sequence (x^k) , i.e. the stopping criterion in Step 1 of Algorithm 11 is never satisfied.

4.1. Feasibility. A central question in all penalty- and augmented Lagrangiantype schemes is the feasibility of limit points. This problem also arises for standard optimization problems. Due to some recent results in this area, see [4] and references therein, it turns out that augmented Lagrangian methods have a very favourable property regarding feasibility, namely that, under mild conditions, every limit point has a minimizing property with respect to the constraint violation.

Here we try to find a counterpart of this result for GNEPs that will also play a central role within our subsequent optimality results. It turns out that this counterpart is a secondary GNEP defined by the constraint functions g^{ν} and h^{ν} alone, where player ν has to solve the optimization problem

(15)
$$\min_{x^{\nu}} \|g_{+}^{\nu}(x)\|^{2} \quad \text{s.t.} \quad h^{\nu}(x) \leq 0.$$

We will refer to this problem as the *Feasibility GNEP* since it describes the best we can expect regarding the feasibility of the limit points: player ν minimizes the violation of the penalized constraints given by g^{ν} (with respect to his own variables x^{ν}) under the non-penalized constraints described by h^{ν} .

We will now see that the behaviour of Algorithm 11 crucially depends on the structure of this auxiliary problem. More precisely, under certain assumptions, every limit point of our algorithm is a solution of the Feasibility GNEP.

LEMMA 13. Let (x^k) be generated by Algorithm 11 under Assumption 12 and let \bar{x} be a limit point of $(x^{k+1})_K$ for some $K \subset \mathbb{N}$. Then there are multipliers $(\hat{\mu}^{k+1}), k \in K$, such that the approximate KKT conditions

(16)
$$\nabla_{x^{\nu}} \|g_{+}^{\nu}(x^{k+1})\|^{2} + \nabla_{x^{\nu}} h^{\nu}(x^{k+1})\hat{\mu}^{\nu,k+1} \to_{K} 0$$
$$\min\{-h^{\nu}(x^{k+1}), \hat{\mu}^{\nu,k+1}\} \to_{K} 0$$

of (15) hold for every ν .

Proof. Let $\nu \in \{1, \ldots, N\}$. Clearly, Assumption 12 implies that $h^{\nu}(\overline{x}) \leq 0$. If the sequence $(\rho_{\nu,k})$ is bounded, (14) implies $g^{\nu}(\overline{x}) \leq 0$. Hence, in this case, (16) follows by simply setting $\hat{\mu}^{\nu,k+1} := 0$. Assume now that $(\rho_{\nu,k})$ is unbounded. For $k \in K$, consider the sequence $(\mu^{\nu,k+1})$ from Assumption 12 and define

$$\alpha^{k} = \nabla_{x^{\nu}} \theta_{\nu}(x^{k+1}) + \nabla_{x^{\nu}} g^{\nu}(x^{k+1})(u^{\nu,k} + \rho_{\nu,k}g^{\nu}(x^{k+1}))_{+} + \nabla_{x^{\nu}} h^{\nu}(x^{k+1})\mu^{\nu,k+1}.$$

By Assumption 12, (α^k) is bounded. Dividing by $\rho_{\nu,k}$, we see that

$$\frac{\alpha^k}{\rho_{\nu,k}} = \frac{1}{\rho_{\nu,k}} \nabla_{x^\nu} \theta_\nu(x^{k+1}) + \nabla_{x^\nu} g^\nu(x^{k+1}) \left(\frac{u^{\nu,k}}{\rho_{\nu,k}} + g^\nu(x^{k+1})\right)_+ + \nabla_{x^\nu} h^\nu(x^{k+1}) \frac{\mu^{\nu,k+1}}{\rho_{\nu,k}} + \frac{1}{\rho_{\nu,k}} \left(\frac{u^{\nu,k}}{\rho_{\nu,k}} + g^\nu(x^{k+1})\right)_+ + \frac{1}{\rho_{\nu,k}} \left(\frac{u^{\nu,k}}{\rho_{\nu,k}} + g^\nu(x^{\nu,k})\right)_+ +$$

approaches zero. For every *i* with $g_i^{\nu}(\overline{x}) < 0$, we have $(u_i^{\nu,k}/\rho_{\nu,k} + g_i^{\nu}(x^{k+1}))_+ = 0$ for sufficiently large $k \in K$. Hence, we obtain

$$\sum_{g_i^{\nu}(\overline{x}) \ge 0} \max\left\{0, \frac{u_i^{\nu,k}}{\rho_{\nu,k}} + g_i^{\nu}(x^{k+1})\right\} \nabla_{x^{\nu}} g_i^{\nu}(x^{k+1}) + \nabla_{x^{\nu}} h^{\nu}(x^{k+1}) \frac{\mu^{\nu,k+1}}{\rho_{\nu,k}} \to 0.$$

Since $u_i^{\nu,k}/\rho_{\nu,k} \to 0$ by the boundedness of $(u^{\nu,k})$, this implies that

(17)
$$\sum_{g_i^{\nu}(\overline{x}) \ge 0} g_i^{\nu}(x^{k+1}) \nabla_{x^{\nu}} g_i^{\nu}(x^{k+1}) + \nabla_{x^{\nu}} h^{\nu}(x^{k+1}) \frac{\mu^{\nu,k+1}}{\rho_{\nu,k}} \to 0.$$

Let us define

$$I^{\nu}(\overline{x}) := \left\{ i \mid g_{i}^{\nu}(\overline{x}) \ge 0 \right\}, \quad I^{\nu}(x^{k+1}) := \left\{ i \mid g_{i}^{\nu}(x^{k+1}) \ge 0 \right\}.$$

Then $I^{\nu}(x^{k+1}) \subseteq I^{\nu}(\overline{x})$ for all $k \in K$ sufficiently large. Furthermore, let

$$\hat{\mu}^{\nu,k+1} := \frac{\mu^{\nu,k+1}}{\rho_{\nu,k}} \quad \forall k \in K.$$

Then Assumption 12 immediately shows that the second part of (16) holds. Furthermore, the first part also holds since

$$\begin{split} \nabla_{x^{\nu}} \frac{1}{2} \left\| g_{+}^{\nu}(x^{k+1}) \right\|^{2} + \nabla_{x^{\nu}} h^{\nu}(x^{k+1}) \hat{\mu}^{\nu,k+1} \\ &= \sum_{i \in I^{\nu}(x^{k+1})} g_{i}^{\nu}(x^{k+1}) \nabla_{x^{\nu}} g_{i}^{\nu}(x^{k+1}) + \nabla_{x^{\nu}} h^{\nu}(x^{k+1}) \hat{\mu}^{\nu,k+1} \\ &= \underbrace{\sum_{i \in I^{\nu}(\overline{x})} g_{i}^{\nu}(x^{k+1}) \nabla_{x^{\nu}} g_{i}^{\nu}(x^{k+1}) + \nabla_{x^{\nu}} h^{\nu}(x^{k+1}) \hat{\mu}^{\nu,k+1}}_{\rightarrow_{K} 0 \text{ by } (17)} \\ &- \underbrace{\sum_{i \in I^{\nu}(\overline{x}) \setminus I^{\nu}(x^{k+1})}_{\rightarrow_{K} 0 \text{ since } g_{i}^{\nu}(\overline{x}) = 0} \\ \rightarrow_{K} 0. \end{split}$$

This completes the proof.

Clearly, (16) is an approximate KKT condition which we have already encountered in Theorems 6 and 7. This immediately yields the following corollary.

COROLLARY 14. Let (x^k) be generated by Algorithm 11 under Assumption 12, \bar{x} be a limit point of (x^k) and assume that, for every ν , the function h^{ν} satisfies $CPLD_{\nu}$ in \bar{x} . Then \bar{x} is a KKT point of the Feasibility GNEP (15).

Proof. This is a direct consequence of Lemma 13 and Theorem 6.

The above results establish the aforementioned connection between Algorithm 11 and the Feasibility GNEP. Hence, it is natural to ask for the solution set of this auxiliary problem. Clearly, every feasible point of the original GNEP is a solution of (15), since the objective functions are zero. The converse is not true, in general, unless we assume some regularity conditions. The most important example is given in the following theorem.

THEOREM 15. Let \bar{x} be a KKT point of the Feasibility GNEP and assume that the original GNEP satisfies GNEP-EMFCQ in \bar{x} . Then we have $g^{\nu}(\bar{x}) \leq 0$ for every ν , i.e., \bar{x} is feasible for the GNEP from (10); in particular, \bar{x} is a solution of the Feasibility GNEP (15).

Proof. Assume that there is a $\nu \in \{1, \ldots, N\}$ and an $\ell \in \{1, \ldots, m_{\nu}\}$ such that $g_{\ell}^{\nu}(\bar{x}) > 0$. By assumption, there are multipliers $w^{\nu} \in \mathbb{R}^{p_{\nu}}$ such that

$$\nabla_{x^{\nu}} \|g_{+}^{\nu}(\bar{x})\|^{2} + \nabla_{x^{\nu}} h^{\nu}(\bar{x}) w^{\nu} = 0 \quad \text{and} \quad \min\{-h^{\nu}(\bar{x}), w^{\nu}\} = 0$$

holds. After removing some vanishing terms, we obtain

$$2\sum_{g_i^{\nu}(\bar{x})>0} g_i^{\nu}(\bar{x}) \nabla_{x^{\nu}} g_i^{\nu}(\bar{x}) + \sum_{h_j^{\nu}(\bar{x})=0} w_j^{\nu} \nabla_{x^{\nu}} h_j^{\nu}(\bar{x}) = 0.$$

Premultiplication of this equation with d^{ν} , where d^{ν} is the vector from GNEP-EMFCQ yields a contradiction.

The above theorem shows that our convergence theory naturally comprises GNEP-EMFCQ. Of course, we could easily have carried out our analysis without even considering the (weaker) GNEP-CPLD. However, we believe that the theorems above together with the Feasibility GNEP most clearly explain the structure and behaviour of Algorithm 11, especially with regard to our GNEP-tailored constraint qualifications.

Another interesting case in which the Feasibility GNEP has some structural properties is the following, which covers, as a special case, the jointly-convex GNEP. Assume that the functions g^{ν} describe a shared constraint (which we denote by g) and that h^{ν} is a function of x^{ν} only. Furthermore, assume that both g and h^{ν} are convex. Hence, player ν 's optimization problem takes the form

(18)
$$\min_{x^{\nu}} \theta_{\nu}(x) \quad \text{s.t.} \quad g(x) \le 0, \quad h^{\nu}(x^{\nu}) \le 0.$$

For such GNEPs, we can prove the following theorem which makes the same assertion as Theorem 15. Note, however, that we do not require any further constraint qualifications, particularly for the function g.

THEOREM 16. Consider a GNEP of the form (18) with g, h^{ν} being convex, and assume that the GNEP has feasible points. Then, if \bar{x} is a KKT point of the corresponding Feasibility GNEP, we have $g(\bar{x}) \leq 0$, i.e. \bar{x} is feasible for (18). $\mathit{Proof.}$ Since \bar{x} is a KKT point of the Feasibility GNEP, there are multipliers w^ν such that

$$\nabla_{x^{\nu}} \|g_{+}(\bar{x})\|^{2} + \nabla h^{\nu}(\bar{x}^{\nu})w^{\nu} = 0 \quad \text{and} \quad \min\{-h^{\nu}(\bar{x}^{\nu}), w^{\nu}\} = 0$$

for every ν . Hence, \bar{x} together with $w = (w^1, \ldots, w^N)$ is a KKT point of the optimization problem

min
$$||g_{+}(x)||^{2}$$
 s.t. $h^{1}(x^{1}) \leq 0, \ldots, h^{N}(x^{N}) \leq 0.$

Note that this is a convex optimization problem. Hence the KKT point is a global minimum of this minimization problem. By assumption, however, the feasible set of (18) is nonempty. This implies that $g_+(\bar{x}) = 0$, hence the assertion follows.

The results in this section have shown that Algorithm 11 does (in some sense) tend to achieve feasibility. However, it should be noted that our analysis does not exclude the possibility of the sequence (x^k) converging to an infeasible point. For instance, the Feasibility GNEP could have solutions which are not feasible for (10). This is particularly plausible if GNEP-EMFCQ is not satisfied or the constraint functions g^{ν} , h^{ν} are not convex.

4.2. Optimality. We proceed by discussing the optimality of limit points of Algorithm 11 applied to the general GNEP from (10). To this end, we recall Assumption 12. If we assume $\varepsilon_k \to 0$, the assumption can be stated as

$$\nabla_{x^{\nu}} L^{\nu}_{a}(x^{k+1}, u^{\nu,k}; \rho_{\nu,k}) + \nabla_{x^{\nu}} h^{\nu}(x^{k+1}) \mu^{\nu,k+1} \to 0,$$

$$\min\{-h^{\nu}(x^{k+1}), \mu^{\nu,k+1}\} \to 0.$$

By expanding the augmented Lagrangian, we obtain

(19)
$$\nabla_{x^{\nu}} \theta_{\nu}(x^{k+1}) + \nabla_{x^{\nu}} g^{\nu}(x^{k+1}) \lambda^{\nu,k+1} + \nabla_{x^{\nu}} h^{\nu}(x^{k+1}) \mu^{\nu,k+1} \to 0,$$

which already suggests that the sequence x^k satisfies an approximate KKT condition for the GNEP (10). In fact, we can prove the following lemma.

LEMMA 17. Let (x^k) be a sequence generated by Algorithm 11 under Assumption 12, where $\varepsilon_k \downarrow 0$, and let \bar{x} be a limit point of (x^k) on some subsequence $K \subset \mathbb{N}$. If \bar{x} is feasible, we have

$$\nabla_{x^{\nu}}\theta_{\nu}(x^{k}) + \nabla_{x^{\nu}}g^{\nu}(x^{k})\lambda^{\nu,k} + \nabla_{x^{\nu}}h^{\nu}(x^{k})\mu^{\nu,k} \to_{K} 0$$

$$\min\{-g^{\nu}(x^{k}),\lambda^{\nu,k}\} \to_{K} 0, \quad \min\{-h^{\nu}(x^{k}),\mu^{\nu,k}\} \to_{K} 0.$$

for every ν .

Proof. We only need to prove the second assertion. To this end, let ν and i be given indices such that $g_i^{\nu}(\bar{x}) < 0$. If $(\rho_{\nu,k})$ is bounded, (14) implies that $\lambda_i^{\nu,k} \to_K 0$. On the other hand, if $(\rho_{\nu,k})$ is unbounded, the updating scheme in (13) also implies $\lambda^{\nu,k} \to_K 0$.

The above theorem shows that, barring the feasibility of \bar{x} , the sequence $(x^k)_K$ satisfies the approximate KKT conditions from Theorem 6. Hence, we can use this fact to prove the optimality theorem below. Note that we need to explicitly assume the feasibility of \bar{x} . In some cases, this is not necessary – consider, for instance, the setting of Theorem 15, where we have GNEP-EMFCQ. THEOREM 18. Let (x^k) be a sequence generated by Algorithm 11 under Assumption 12, where $\varepsilon_k \downarrow 0$, and let \bar{x} be a limit point of (x^k) . Assume that one of the following conditions is satisfied:

(a) \bar{x} is feasible and GNEP-CPLD holds in \bar{x} .

Then \bar{x} is a KKT point of the GNEP.

Proof. First assume that (a) holds. Since \bar{x} is feasible, we can apply Lemma 17 and obtain a sequence of approximate KKT points for the GNEP from (10). The statement then follows from Theorem 6 by using the fact that we have $c^{\nu} = (g^{\nu}, h^{\nu})$.

Next consider case (b). Since GNEP-EMFCQ implies GNEP-CPLD, it follows that, for each player ν , CPLD_{ν} holds for $c^{\nu} = (g^{\nu}, h^{\nu})$. This, by definition, yields that, for each $\nu = 1, \ldots, N$, CPLD_{ν} holds for h^{ν} . Hence Corollary 14 shows that \bar{x} is a KKT point of the Feasibility GNEP (15). Consequently, we obtain from Theorem 15 that \bar{x} is feasible for the GNEP (10). Then we can proceed as in part (a).

Note that, despite Lemma 17, the multipliers λ and μ which make \bar{x} a KKT point are not necessarily limit points of the sequences (λ^k) and (μ^k) . This is a consequence of GNEP-CPLD, see Theorem 6. However, we do get this property if we assume GNEP-EMFCQ instead, see Theorem 7.

Finally, without proof, we would like to briefly mention another kind of convergence theorem one can easily show for Algorithm 11. In the above results, we have usually required that the sequence (x^k) has a limit point. If we make the (much stronger) assumption that the sequence of triples (x^k, λ^k, μ^k) has a limit point, we obtain the following theorem which does not require any constraint qualifications.

THEOREM 19. Let (x^k) , (λ^k) and (μ^k) be the sequences generated by Algorithm 11 under Assumption 12, where $\varepsilon_k \downarrow 0$. Then every limit point of the sequence of triples (x^k, λ^k, μ^k) is a KKT point of the GNEP.

5. Computing Variational Equilibria. We have already seen that Algorithm 11 possesses some particular convergence properties for jointly-convex GNEPs – consider, for instance, Theorem 16. In this section, we present a modified method which is tailored towards the computation of variational (or normalized) equilibria, cf. [12, 17, 27]. To this end, we perform an obvious change in notation and consider a GNEP of the form

(20)
$$\min_{x^{\nu}} \theta_{\nu}(x) \quad \text{s.t.} \quad g(x) \le 0, \quad h(x) \le 0$$

with smooth functions $g: \mathbb{R}^n \to \mathbb{R}^m$ and $h: \mathbb{R}^n \to \mathbb{R}^p$ whose components are assumed to be convex. Hence, all players share the same constraints. The most straightforward modification of Algorithm 11 is to simply choose the same iteration parameters

 $\tau_{\nu}, \quad \gamma_{\nu}, \quad \rho_{\nu,0}, \quad \lambda^{\nu,0}, \quad u^{\nu,0}, \text{ and } \mu^{\nu,0}$

for every player ν . Looking at the updating scheme in Algorithm 11, this implies that the corresponding parameters $u^{\nu,k}$, $\lambda^{\nu,k}$, and $\rho_{\nu,k}$ will remain independent of ν throughout – something which is clearly desirable when computing variational equilibria. For the sake of simplicity, we can now drop the index ν altogether and simply refer to the parameters as u^k , λ^k , ρ_k , and so on. This prompts us to restate the algorithm as follows.

ALGORITHM 20. (Augmented Lagrangian method for variational equilibria)

⁽b) GNEP-EMFCQ holds in \bar{x} .

- (S.0) Let $u^{\max} \geq 0$, $\tau \in (0,1)$, $\gamma > 1$ and $\rho_0 > 0$. Choose $x^0 \in \mathbb{R}^n$, $\lambda^0 \in \mathbb{R}^m$, $\mu^0 \in \mathbb{R}^p, u^0 \in [0, u^{\max}]^m$, and set k := 0.
- (S.1) If (x^k, λ^k, μ^k) is an approximate KKT point of the GNEP: STOP.
- (S.2) Compute an approximate KKT point (x^{k+1}, μ^{k+1}) of the GNEP consisting of the minimization problems

(21)
$$\min_{x\nu} L_a^{\nu}(x, u^k; \rho_k) \quad \text{s.t.} \quad h(x) \le 0$$

for each player $\nu = 1, ..., N$. (S.3) Update the vector of multipliers to

(22)
$$\lambda^{k+1} = \left(u^k + \rho_k g^{\nu}(x^{k+1})\right)_+.$$

(S.4) If

23)
$$\left\|\min\{-g(x^{k+1}), \lambda^{k+1}\}\right\| \le \tau \left\|\min\{-g(x^k), \lambda^k\}\right\|,$$

then set $\rho_{k+1} := \rho_k$. Else, set $\rho_{k+1} := \gamma \rho_k$. (S.5) Set $u^{k+1} = \min\{\lambda^{k+1}, u^{\max}\}, k \leftarrow k+1, and go to (S.1).$

Clearly, Algorithm 20 is nothing but a special instance of Algorithm 11. Hence, the convergence theory established in Section 4 remains valid. However, we can use the fact that we have unified sequences (for both multipliers and penalty parameters) to prove different convergence theorems. Before we do so, we should revisit the subproblems which occur in Step 2. With the understanding that we are looking for variational equilibria, it is natural to make the following assumption.

Assumption 21. At Step 2 of Algorithm 20, we obtain $x^{k+1} \in \mathbb{R}^n$ and $\mu^{k+1} \in \mathbb{R}^p$ with

$$\begin{aligned} \left\| \nabla_{x^{\nu}} L_{a}^{\nu}(x^{k+1}, u^{k}; \rho_{k}) + \nabla_{x^{\nu}} h(x^{k+1}) \mu^{k+1} \right\| &\leq \varepsilon_{k} \\ \| \min\{-h(x^{k+1}), \mu^{k+1}\} \| &\leq \varepsilon_{k}' \end{aligned}$$

for every ν . Here, $(\varepsilon_k) \subset \mathbb{R}_+$ is bounded and $(\varepsilon'_k) \subset \mathbb{R}_+$ tends to zero.

Note that Assumption 21 is, essentially, a refined version of Assumption 12. The key difference is that μ^k is independent of the player index ν .

We now turn to a brief convergence analysis for Algorithm 20. To this end, recall that we have used the GNEP-CPLD constraint qualification for an analysis of Algorithm 11. Furthermore, the discussion in Section 2 shows that, in general, this is a condition which is independent of CPLD. Despite this fact, it turns out that we can use the classical CPLD as a constraint qualification for Algorithm 20.

THEOREM 22. Let (x^k) be generated by Algorithm 20 under Assumption 21, let \bar{x} be a limit point of (x^k) and assume that h satisfies CPLD in \bar{x} . Then \bar{x} is a global solution of

(24)
$$\min ||g_+(x)||^2 \text{ s.t. } h(x) \le 0.$$

In particular, if there are feasible points, then \bar{x} is feasible.

Proof. Since g and h are assumed to be convex, it suffices to show that \bar{x} is a KKT point of (24). To verify this, we can proceed as in the proof of Lemma 13 and obtain a sequence $(\hat{\mu}^k)$ of multipliers such that

$$\nabla_{x^{\nu}} \|g_{+}(x^{k})\|^{2} + \nabla_{x^{\nu}} h(x^{k})\hat{\mu}^{k} \to_{K} 0 \text{ and } \min\{-h(x^{k}), \hat{\mu}^{k}\} \to_{K} 0$$

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for every ν , where $K \subset \mathbb{N}$ is some appropriate subsequence (note that the proof of Lemma 13 shows that we can choose the same multipliers for each player). This implies

$$\nabla \|g_+(x^k)\|^2 + \nabla h(x^k)\hat{\mu}^k \to_K 0 \quad \text{and} \quad \min\{-h(x^k),\hat{\mu}^k\} \to_K 0.$$

Since CPLD holds, we may assume without loss of generality that the sequence $\{\hat{\mu}^k\}$ is bounded. Subsequencing if necessary, we can therefore assume that $\hat{\mu}^k \to_K \bar{\mu}$ for some vector $\bar{\mu} \in \mathbb{R}^p$. It then follows that $(\bar{x}, \bar{\mu})$ is a KKT point of (24). Since this is a convex program and there exist feasible points by assumption, the statement follows.

The proof of Theorem 22 clearly shows that we need the multipliers $\hat{\mu}^k$ to be independent of ν , a property which, in general, does not hold for the iterates generated by Algorithm 11. On the other hand, we do not require a special structure for the function h. In this sense, the theorem is actually much stronger than Theorem 16.

We proceed by stating an optimality result akin to Theorem 18. Note that we do not need to explicitly assume the feasibility of the limit point because of Theorem 22.

THEOREM 23. Let (x^k) be generated by Algorithm 20 and \bar{x} be a limit point of (x^k) . If (x^k) satisfies Assumption 21, the constraints g and h permit feasible points and the function

$$x \mapsto \begin{pmatrix} g(x) \\ h(x) \end{pmatrix}$$

satisfies CPLD in \bar{x} , then \bar{x} is feasible and solves the GNEP.

Proof. Under the given assumptions, it is clear that h itself also satisfies CPLD. Hence, by Theorem 22, \bar{x} is feasible. Furthermore, Lemma 17 gives us the asymptotic conditions

$$\nabla_{x^{\nu}}\theta_{\nu}(x^{k}) + \nabla_{x^{\nu}}g(x^{k})\lambda^{k} + \nabla_{x^{\nu}}h(x^{k})\mu^{k} \to_{K} 0$$

$$\min\{-g(x^{k}),\lambda^{k}\} \to_{K} 0, \quad \min\{-h(x^{k}),\mu^{k}\} \to_{K} 0.$$

for every ν . The result then follows by concatenating these systems for every ν and using CPLD.

The above results are particularly interesting because the classical CPLD is a more amenable condition than GNEP-CPLD. For example, we have the well-known chain of implications Slater \implies MFCQ \implies CPLD, which allows us to use the (easily verifiable) Slater condition as a CQ for jointly-convex GNEPs.

Before we conclude this section, we would like to point out another property of Algorithm 20. The augmented Lagrangian for player ν is given by

$$L_a^{\nu}(x,u;\rho) = \theta_{\nu}(x) + \frac{\rho}{2} \left\| \left(g(x) + \frac{u}{\rho} \right)_+ \right\|^2.$$

Clearly, the second term is independent of ν . This allows us to decompose the augmented Lagrangian in the following way:

$$L_a^{\nu}(x, u; \rho) = \theta_{\nu}(x) + P(x, u; \rho),$$

where P is a convex penalty term which is independent of ν . This decomposition is useful when designing methods for the solution of the subproblems. For instance, it is well-known that a critical property of (jointly-convex) GNEPs is the monotonicity of the function

$$F(x) = \begin{pmatrix} \nabla_{x^1} \theta_1(x) \\ \vdots \\ \nabla_{x^N} \theta_N(x) \end{pmatrix}.$$

When adding a convex penalty term to the functions θ_{ν} , it is easy to see that this property is preserved.

6. Implementation and Numerical Results. In this section, we present some empirical results to showcase the convergence of our method(s). To this end, we implement Algorithm 11 in MATLAB[®] and, for the sake of simplicity, we solve every problem by performing a full penalization. This is especially attractive because many of the convergence theorems (e.g. 14 and 16) hold without any further assumptions.

The test suite we use is identical to the one from [13]. For every problem, we use the same parameters $u^{\text{max}} = 10^6$ and $\rho_{\nu,0} = 1$ for every ν . The remaining parameters are chosen depending on the size of the problem:

$$\tau_{\nu} = 0.1, \quad \gamma_{\nu} = 10, \quad \text{if } n \le 100;
\tau_{\nu} = 0.5, \quad \gamma_{\nu} = 2, \quad \text{if } n > 100.$$

This represents a quite aggressive penalization for small problems and a more cautious scheme for large problems. We have found this distinction to be very efficient for our problem set. For the computation of the initial multipliers $\lambda^{\nu,0}$ (and $u^{\nu,0}$, which we set to the same value), we recall the KKT conditions for player ν , which can be stated as

$$\nabla_{x^{\nu}}\theta_{\nu}(x^{0}) + \nabla_{x^{\nu}}g^{\nu}(x^{0})\lambda^{\nu,0} = 0 \quad \text{and} \quad \min\{-g^{\nu}(x^{0}),\lambda^{\nu,0}\} = 0.$$

We now solve the first condition in a least-squares sense by setting $\lambda_i^{\nu,0} = 0$ for every *i* with $g_i^{\nu}(x^0) < 0$ and using the MATLAB[®] function lsqnonneg to compute a nonnegative least-squares solution of

$$\nabla_{x^{\nu}}\theta_{\nu}(x^{0}) + \nabla_{x^{\nu}}g^{\nu}(x^{0})\lambda^{\nu,0} = 0.$$

Finally, the overall stopping criterion we use is

$$\|\nabla_{x^{\nu}}\theta_{\nu}(x) + \nabla_{x^{\nu}}g^{\nu}(x)\lambda^{\nu}\|_{\infty} \leq \varepsilon, \quad \|g_{+}^{\nu}(x)\|_{\infty} \leq \varepsilon, \quad \text{and} \quad |g^{\nu}(x)^{T}\lambda^{\nu}| \leq \varepsilon$$

for every ν . Here, ε is some prescribed stopping tolerance which we set to 10^{-8} .

6.1. Solution of the subproblems. Since we perform a full penalization, the subproblems which occur at Step 2 of Algorithm 11 are unconstrained NEPs where player ν 's optimization problem is given by

$$\min_{x^{\nu}} L^{\nu}_{a}(x, u^{\nu,k}; \rho_{\nu,k}).$$

Hence, we simply solve these problems by considering the nonlinear equation

(25)
$$F(x) = \begin{pmatrix} \nabla_{x^1} L_a^1(x, u^{1,k}; \rho_{1,k}) \\ \vdots \\ \nabla_{x^N} L_a^N(\mathfrak{W}, u^{N,k}; \rho_{N,k}) \end{pmatrix} \stackrel{!}{=} 0.$$

In principle, we could use any general-purpose nonlinear equation solver to solve this equation. However, it should be noted that F is, in general, a semismooth function with non-isolated solutions. Hence, special care needs to be taken when selecting an algorithm. For instance, the classical semismooth Newton method [23, 25] typically does not exhibit (locally) superlinear convergence for such problems, whereas more sophisticated methods such as Levenberg-Marquardt methods [16, 29] or the LP-Newton method [9] are known to be more efficient under certain assumptions. For our numerical testing, we decided to employ a Levenberg-Marquardt type algorithm from [16] where the basic step d is given by

$$(J(x)^T J(x) + \alpha(x)I) d = -J(x)^T F(x).$$

Here, J(x) is some suitable (generalized) Jacobian of F and $\alpha(x) = ||F(x)||$. In order to improve the global convergence properties of this method, we have decided to combine it with a classical Levenberg-Marquardt parameter updating scheme, i.e. we consider the equation

$$(J(x)^{T}J(x) + \alpha ||F(x)||I) d = -J(x)^{T}F(x)$$

and iteratively update α (in a heuristic manner) based on the success of the last step. A precise statement of the algorithm is as follows.

ALGORITHM 24. (Levenberg-Marquardt type method for F) (S.0) Let $x^0 \in \mathbb{R}^n$, $\alpha_0 = 1$, $\varepsilon > 0$, and set k = 0. (S.1) If $||F(x^k)|| \le \varepsilon$ holds: STOP. (S.2) Choose $V_k \in \partial F(x^k)$ and compute d^k by solving

(26)
$$(V_k^T V_k + \alpha_k \| F(x^k) \| I) d^k = -V_k^T F(x^k).$$

If $||F(x^k + d^k)|| < ||F(x^k)||$, set $\alpha_{k+1} = 0.1\alpha_k$ and go to (S.4).

- (S.3) Iteratively set $\alpha_k \leftarrow 10\alpha_k$ and re-compute d^k as given by (26) until $||F(x^k + d^k)|| < ||F(x^k)||$. Finally, set $\alpha_{k+1} = \alpha_k$.
- (S.4) Set $x^{k+1} = x^{k+1} + d^k$, $k \leftarrow k+1$, and go to (S.1).

Note that we use the same tolerance $\varepsilon = 10^{-8}$ as given at the beginning of this section. Furthermore, since F is only semismooth, the above is not a globally convergent algorithm. In fact, the loop in (S.3) does not necessarily terminate finitely if the current point x^k is one where F is not differentiable. To safeguard against this case, we terminate the loop in (S.3) if

$$\|d\| < \frac{\varepsilon}{\|V^k\|_F}.$$

Despite the necessity of such safeguarding techniques, we have found the above method to be sufficient for nearly all our examples.

6.2. Numerical Results. We now present our results. For a given problem, N denotes the number of players, n is the total number of variables, k is the number of outer iterations, i_{total} is the accumulated number of inner iterations and F denotes a failure. We also include certain values which measure the feasibility, optimality and complementarity at the solution. These are denoted R_f , R_o and R_c , respectively. The

values are calculated as follows:

$$R_f = \max_{\nu=1,\dots,N} \|g_+^{\nu}(x)\|_{\infty}$$
$$R_o = \max_{\nu=1,\dots,N} \|\nabla_{x^{\nu}}\theta_{\nu}(x) + \nabla_{x^{\nu}}g^{\nu}(x)\lambda^{\nu}\|_{\infty}$$
$$R_c = \max_{\nu=1,\dots,N} |g^{\nu}(x)^T\lambda^{\nu}|.$$

Clearly, some remarks are in order:

- 1. With the exception of problem A.8, the augmented Lagrangian method was able to solve every problem quite efficiently. It is particularly noteworthy that the method achieves a very high accuracy, typically in the region of 10^{-10} . This compares quite favourably to other methods for GNEPs, such as the interior-point method from [7] or the exact penalty method from [13].
- 2. We have also tried the algorithm with different choices of u^{\max} . Recall that, for $u^{\max} = 0$, the algorithm is essentially a quadratic penalty method. The following table lists some values for u^{\max} and corresponding failure numbers.

- 3. For most problems, the stopping accuracy tends to have little effect on the speed of the algorithm. A notable exception is problem A.2, where we observed significantly lower (by a factor of 3) iteration numbers when using a tolerance of 10^{-4} . We suspect that this is a consequence of the very narrow feasible set in this problem (see [13]).
- 4. Clearly, the overall speed of the algorithm crucially depends on how quickly the subproblems are solved. In this regard, the Levenberg-Marquardt algorithm seems to greatly benefit from the (semi-)smoothness of the function F from (25). We investigated some of the problems on a sample basis and found that the Levenberg-Marquardt method appears to be superlinearly convergent for all of them. Despite this, we believe that there is a lot of room for improvement here.
- 5. Another factor which greatly affects the performance of the algorithm is the choice of the parameters which handle the multipliers and penalty parameters. In this regard, our choices are quite simple and straightforward. However, for some problems, we observed that fine-tuning the parameters can yield a significant speed improvement.
- 6. For problem A.8 with the starting point $x^0 = 0$, the subproblem algorithm is unable to compute a solution and, hence, the overall iteration breaks down. Another peculiarity of problem A.8 is that, for a suitable choice of parameters, one can get the algorithm to converge to the infeasible point $\bar{x} = (1.5, 0, 2)$. This point (together with its corresponding multipliers) satisfies the stationarity part of the KKT conditions, but (due to the infeasibility) is not a solution of the GNEP. Furthermore, one can easily verify that \bar{x} is a solution of the Feasibility GNEP (15), as suggested by Corollary 14, but GNEP-EMFCQ does not hold in \bar{x} . This shows that the assertions of Corollary 14 can, in general, not be sharpened.

7. Final Remarks. We have introduced an augmented Lagrangian method for the solution of generalized Nash equilibrium problems. Our method is quite flexible in the sense that it allows partial penalization of constraints and can be modified for the computation of variational equilibria of jointly-convex GNEPs. The numerical

| Example | N | n | x^0 | k | <i>i</i> | R_{f} | R_o | R_c | 0 |
|---------|----|----------------|------------|-----------------|------------------------|---------|---------|--------------------|---------------------------------|
| A.1 | 10 | $\frac{n}{10}$ | 0.01 | $\frac{\pi}{7}$ | $\frac{i_{total}}{20}$ | 1.5e-10 | 8.9e-16 | 4.2e-11 | $\frac{\rho_{\text{max}}}{100}$ |
| 11.1 | 10 | 10 | 0.01 | 6 | $\frac{20}{13}$ | 8e-09 | 5.9e-13 | 4.2c-11 2.1e-09 | 100 |
| | | | 1 | 7 | 19 | 1.5e-10 | 2.9e-16 | 4.2e-11 | 100 |
| A.2 | 10 | 10 | 0.01 | 9 | 108 | 4.7e-09 | 2.3e-09 | 1.4e-09 | 1000 |
| 11.2 | 10 | 10 | 0.01 | 8 | 70 | 2.9e-09 | 4.1e-14 | 2.9e-11 | 1000 |
| | | | 1 | 10 | 192 | 4.9e-10 | 5.6e-14 | 1.5e-10 | 1e+05 |
| A.3 | 3 | 7 | 0 | 1 | 4 | 0 | 1e-09 | 0 | 1 |
| 11.0 | 0 | • | 1 | 1 | 5 | 0 | 3.6e-15 | 0 | 1 |
| | | | 10 | 1 | 5 | 0 | 1.7e-10 | 0 | 1 |
| A.4 | 3 | 7 | 0 | 12 | 63 | 2.6e-11 | 1.5e-09 | 2.6e-09 | 1e+04 |
| | 0 | | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | | | 10 | 11 | 202 | 2.5e-12 | 4.6e-10 | 7.4e-10 | 1e + 04 |
| A.5 | 3 | 7 | 0 | 8 | 20 | 2e-10 | 1.7e-13 | 4.8e-10 | 1000 |
| | | | 1 | 8 | 20 | 3.5e-10 | 4.9e-13 | 8.3e-10 | 1000 |
| | | | 10 | 10 | 27 | 6.9e-09 | 1e-13 | 6.2e-09 | 1000 |
| A.6 | 3 | 7 | 0 | 14 | 68 | 1.9e-11 | 6.6e-10 | 4.2e-09 | 1e + 04 |
| | | | 1 | 11 | 92 | 9.8e-12 | 4.5e-09 | 5.1e-09 | 1e+04 |
| | | | 10 | 14 | 82 | 1.9e-11 | 6.6e-10 | 4.2e-09 | 1e+04 |
| A.7 | 4 | 20 | 0 | 13 | 35 | 6.6e-12 | 1.7e-11 | 2.3e-09 | 1e+04 |
| | | | 1 | 12 | 39 | 1.1e-11 | 1.4e-11 | 3.8e-09 | 1e+04 |
| | | | 10 | 12 | 52 | 4.1e-12 | 1.2e-11 | 1.7e-09 | 1e+05 |
| A.8 | 3 | 3 | 0 | F | | | | | |
| | | | 1 | 1 | 4 | 4.9e-11 | 4.9e-11 | 4.9e-11 | 1 |
| | | | 10 | 3 | 14 | 4.5e-12 | 4.9e-12 | 4.5e-12 | 10 |
| A.9a | 7 | 56 | 0 | 9 | 46 | 2.3e-09 | 8e-15 | 7.6e-09 | 10 |
| A.9b | 7 | 112 | 0 | 26 | 75 | 2.8e-10 | 1e-14 | 2.7e-09 | 16 |
| A.10a | 8 | 24 | see $[13]$ | 11 | 243 | 9.8e-13 | 4.5e-11 | 4.5e-12 | 1e+05 |
| A.10b | 25 | 125 | see $[13]$ | 19 | 2519 | 6.7e-10 | 1.8e-11 | 4.9e-09 | 64 |
| A.10c | 37 | 222 | see $[13]$ | 40 | 3658 | 7.2e-13 | 9.3e-12 | 1.6e-09 | 5e+05 |
| A.10d | 37 | 370 | see $[13]$ | 19 | 2527 | 2.9e-11 | 2.3e-12 | 3.1e-10 | 256 |
| A.10e | 48 | 576 | see $[13]$ | 18 | 4048 | 1.2e-10 | 7.1e-12 | 1.5e-09 | 256 |
| A.11 | 2 | 2 | 0 | 9 | 17 | 6.4e-09 | 2.9e-15 | 3.2e-09 | 10 |
| A.12 | 2 | 2 | (2,0) | 1 | 5 | 0 | 8.9e-16 | 0 | 1 |
| A.13 | 3 | 3 | 0 | 4 | 20 | 3.3e-09 | 7.6e-12 | 1.9e-09 | 1 |
| A.14 | 10 | 10 | 0.01 | 1 | 8 | 0 | 8.2e-14 | 0 | 1 |
| A.15 | 3 | 6 | 0 | 1 | 7 | 0 | 2.8e-14 | 0 | 1 |
| A.16a | 5 | 5 | 10 | 10 | 26 | 1.3e-10 | 6e-14 | 3.7e-09 | 10 |
| A.16b | 5 | 5 | 10 | 9 | 26 | 6.1e-11 | 3.6e-15 | 1.1e-09 | 10 |
| A.16c | 5 | 5 | 10 | 7 | 23 | 9e-10 | 1.5e-13 | 6.4e-09 | 10 |
| A.16d | 5 | 5 | 10 | 9 | 24 | 4e-09 | 2.1e-14 | 1.9e-09 | 1 |
| A.17 | 2 | 3 | 0 | 8 | 20 | 4.5e-11 | 3.4e-13 | 1.1e-10 | 100 |
| A.18 | 2 | 12 | 0 | 9 | 34 | 1.3e-11 | 1.1e-11 | 2.4e-10 | 1000 |
| | | | 1 | 9 | 34 | 1.3e-11 | 1.2e-11 | 2.4e-10 | 1000 |
| | | | 10 | 9 | 32 | 1.3e-11 | 1.8e-11 | 2.4e-10 | 1000 |

TABLE 1 Numerical results for Algorithm 11.

testing we have done indicates that the method works quite well in practice, since it possesses good global convergence properties and easily achieves a very high accuracy, provided the problem is sufficiently well-behaved.

It should be noted that there are still many aspects which might lead to substantial numerical improvements. Aside from the fine-tuning of iteration parameters, a more detailed analysis of the subproblems which occur in our method might lead to insights on their solution. In this regard, it would be interesting to analyse whether the subproblems satisfy certain regularity conditions such as an error-bound to the solution set [6, 19] or how other methods such as smoothing Newton methods [23] could be incorporated into the solution process. Further possible extensions of the ALM are second-order multiplier iterations or approaches such as the exponential method of multipliers, cf. [3].

On another note, the theoretical analysis of our algorithm has uncovered a series of properties and concepts which extend the rich theoretical background of augmented Lagrangian methods to the field of GNEPs. For instance, the constraint qualifications introduced in Section 2 (one of which has previously been used in the literature) are very general and hence, we hope, they will find applications in the context of other methods for multi-player games.

The same goes for our notion of the *Feasibility GNEP*, which is a new optimality concept for GNEPs that offers a very clear insight on the behaviour of the augmented Lagrangian method. This is a generalization of a corresponding concept for classical optimization problems, cf. [4], which has enjoyed a variety of applications, e.g. in the context of Sequential Quadratic Programming (SQP) methods in [5]. A natural continuation of this idea would be an SQP-type method for GNEPs, which we envision as a possible path for future research.

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